

## Message Text

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45

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

TAR-02 RSR-01 /137 W

----- 101758

R 172311 Z APR 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 901

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E. O. 11652: N/ A

TAGS: EFIN, CA, US

SUBJECT: U. S. TAX PROPOSALS ON FOREIGN SOURCE INCOME.

REF : OTTAWA 917

1. ARTICLE IN APRIL 17 TORONTO GLOBE AND MAIL BY BUSINESS COLUMNIST RONALD ANDERSON STATES THAT US " PROPOSAL TO TAX US CORPORATIONS THAT BUILD SO- CALLED RUNAWAY PLANTS IN CANADA IS A SAD LITTLE COMMENTARY ON TRADE RELATIONSHIP BETWEEN THE TWO COUNTRIES." WHILE NOTING DETAILS OF PROPOSALS ARE OBSCURE, ANDERSON SAID THAT IN ELECTRONIC DIALOGUE WITH CANADIANS APRIL 13, WHITE HOUSE ADVISER PETER FLANIGAN INDICATED THAT " MR. NIXON SEEKING AUTHORITY TO LEVY SEPARATE TAX ON COMPANIES THAT SET UP SUBSIDIARIES HERE TO TAKE ADVANTAGE OF PROPOSED REDUCTION IN CANADIAN CORPORATE TAX RATES".

2. ANDERSON SAID THAT PROPOSED TAX WOULD APPLY IF 25 PERCENT OR MORE OF THE SUBSIDIARY' S OUTPUT WAS EXPORTED TO THE US AND THAT IT CLEAR FROM FLANIGAN' S REMARKS THAT " WASHINGTON IS PARTICULARLY MINDFUL OF GOC INTENTION TO REDUCE TAX RATE FOR MANUFACTURERS AND PROCESSORS TO 40 PERCENT FROM 49 PERCENT". ACCORDING ANDERSON, TAX WOULD BE " A CALCULATED RESPONSE TO CANADIAN INITIATIVE WHICH WAS ITSELF A REACTION  
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TO US DISC LEGISLATION".

3. ANDERSON CONCLUDES " IT UNCLEAR HOW WASHINGTON PROPOSES  
CALCULATE CANADIAN CORPORATE TAX THAT WOULD BE USED IN  
COM

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic DecapTIONing:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 APR 1973  
**DecapTION Date:** 01 JAN 1960  
**DecapTION Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
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**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 73 OTTAWA 917  
**Review Action:** RELEASED, APPROVED  
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**Review Comment:** n/a  
**Review Content Flags:** ANOMALY  
**Review Date:** 06 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06-Sep-2001 by freemaal>; APPROVED <22-Oct-2001 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** <DBA CORRECTED> jms 980122  
**Subject:** U. S. TAX PROPOSALS ON FOREIGN SOURCE INCOME.  
**TAGS:** EFIN, CA, US  
**To:** EB  
SECSTATE WASHDC  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005